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SUBJECT: Conference Supports Innovation in Turkey

SENSITIVE BUT UNCLASSIFIED.

11. (SBU) Summary. An AmCham-organized, Embassy-supported conference on "Innovation" highlighted to Turkish business and policy leaders how business-friendly policies can promote economic development and job creation. The conference completes one of the actions agreed to during the February meeting of the U.S.-Turkey Economic Partnership Commission. The Embassy will help leverage the recommendations of the conference by promoting them with Turkish policy makers. The AmCham intends to make this the first of a series of annual conferences on business policy issues. End Summary.

12. (SBU) The June 7 conference was organized by the American Business Forum in Turkey (ABFT) in Istanbul as an effort to inject US-style ideas of how to build a supportive policy and legal environment for economic growth into the Turkey's debate on the appropriate relationship between business and government. A series of U.S. speakers, including Deputy Secretary of Commerce David Sampson and Ambassador Wilson discussed how policies that encourage risk-taking, entrepreneurship, and innovation can both bolster economic growth in Turkey and contribute to a deeper economic relationship with the United States.

13. (SBU) U.S.-based speakers such as Johns Hopkins professor Steve Hanke and USAID Deputy Assistant Administrator Thomas Mefford joined leading Turkish businesspeople and academics in calling for a second wave of economic reforms that improved conditions for competition and protection of property rights, notably intellectual property rights. They observed that Turkey ranks in the middle of the pack in global survey's of business and investment conditions, such as those of the World Bank or Heritage Foundation. Turkey has made considerable progress from where it was just five years ago, but much more work is necessary to make Turkey competitive with countries like Ireland or Singapore -- which were frequently mentioned as examples of how appropriate government policy can spur business development.

14. (SBU) The conference also highlighted thriving Turkish companies, like Vestel (an established company that manufactures televisions, computers and household appliances) and Airties (a very successful Turkish-American start-up that develops and markets broadband internet modems and routers), as examples of Turkish companies that beat the odds and proved that it was possible for Turkish companies to succeed in a competitive global environment. Speakers stressed, however, that such companies are the exceptions that prove the rule, and that their success needs to become the norm if Turkey is to be able to raise income levels to approach European averages.

FOLLOW-UP

15. (SBU) The conference, especially the remarks of D/S Sampson and the Ambassador, received substantial positive coverage in the Turkish press -- a welcome change from the criticism that typifies Turkish reporting about the United States. In order to further leverage the ideas that came out of the conference, ABFT (one of the two US Chambers of Commerce in Turkey) plans to draft a paper summarizing the conference proceedings and making concrete recommendations for business and investment-friendly policies that should be adopted in Turkey. The Embassy will assist ABFT in disseminating the paper to Turkish officials.

16. (SBU) Holding the conference was one of the action items from the February meeting of the U.S.-Turkey Economic Partnership Commission (EPC). During the conference, ABFT Chairman Galip Sukaya announced that the conference was the first of what will be a series of annual events. Building on lessons learned from this conference, including the need to encourage broader support from the local U.S. business community and participation by senior Turkish government ministers (who cancelled their commitments in the midst of an election campaign), will ensure that such events both improve conditions for U.S. business and contribute to a more balanced understanding of U.S. policies in the wider Turkish community. The Embassy's Public Affairs section support the conference with a \$6000 grant that helped defray an overall budget of approximately \$80,000.

17. (SBU) More information about the conference is available at www.abft.net/conference.

WILSON